



MISSOURI ECONOMIC STIMULUS COORDINATION COUNCIL

February 27, 2009

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Greg Wendt

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Governor Jeremiah (Jay) W. Nixon

Office of the Governor
State Capitol Building, Room 216
Jefferson City, MO 65101

Dear Governor Nixon:

This report is filed by the Council, as a whole, pursuant to Missouri Executive Order 09-02, issued on January 13, 2009, concerning the Federal Government's stimulus legislation, now known as the American Recovery and Reinvestment Act of 2009 ("ARRA"). This Act was signed into law on February 17, 2009 by President Barack Obama. The ARRA's preamble states the goals are (1) to preserve and create jobs and promote economic recovery, (2) to assist those most impacted by the recession, (3) to promote investments needed to increase economic efficiency and advances in health and science, (4) to invest in transportation and environmental protection for the long term, and (5) to stabilize state and local governments.

These ARRA purposes are reflected in diverse appropriation provisions of \$331 billion dollars (Division A), and in numerous Federal income tax provisions and other distributions, aggregating some \$456 billion dollars (Division B). Missouri (and its political subdivisions) may receive \$4 – 6+ billion of ARRA dollars, plus Missourians and Missouri businesses will benefit from the parallel ARRA component of Internal Revenue Code tax based reductions and other payments. These enormous sums need careful stewardship and all aspects merit special focus.

These ARRA purposes are illuminated in intersecting global themes, including, but not limited to, (i) the goal of job creation, retention and retraining, (ii) an emphasis on human capital by a focus on education, youth training, public safety, assistance to impacted individuals, housing and health care coverage, (iii) an emphasis on physical infrastructure for public works, "go green" building renovation, water and energy projects, environmental clean-up and public lands conservation and improvement, (iv) the enrichment and advancement of 21st century technologies for computer usage, compliance record keeping, broadband technology, digital television, science, energy, and other business expansion,

(v) a focus on Medicaid, wellness and various health provisions, (vi) the creation of new economic development tools and expanded business development capabilities, and (vii) State fiscal relief and stabilization. This broad based implementation is then reflected in over 150 provisions for appropriations, in modifications of the Internal Revenue Code and in dozens of other statutes covering more than 1,000 pages of legislation. But the goal of the ARRA is to utilize these reinvestment and recovery dollars wisely and expeditiously to stabilize the nation and provide a "jolt" to the economy while implementing the process in a transparent and open way with full accountability.

This Report of the Council will focus on recommendations on how to best implement the ARRA in and for Missouri and its Citizens.

The Council's Ten Points and Recommendations are:

1. Time Is Of The Essence

This focus on time is multi-level. First, some of the appropriated dollars will be received in FY 2009, and most of the other funds will arrive in FY 2010, and some will follow in FY 2011. More than 50% of the funds will come to Missouri or its subdivisions by long established Federal Formulas, while other funds are subjected to a Competitive Grant process. Second, there will shortly be hundreds of notices, rules, RFQs and RFPs, issued by the Federal Government which govern access to these Formulaic Funds and Competitive Grants, so Missouri needs to be ready to respond rapidly and completely. Third, there is a need to suspend or waive certain rules in order to meet the threshold requirements to maximize the receipt of dollars. Examples of these steps are detailed in Exhibit 1. Fourth, there is the impetus that the dollars, once received, should be spent as expeditiously as possible. Fifth, it is also recognized this is a multi-year process, not an overnight miracle, and it will take diligence and application to be successful.

In preparing for this report, it is noted that the members of the Council (a) met with numerous State Agencies and found that each Agency had already studied the ARRA in depth, and had a prepared team at each Agency to stand ready to implement the ARRA, and (b) the personnel assigned to this task were all informed, focused and committed to swift implementation and are rostered (and thanked) in Exhibit 2. If this intensity and staffing continues, as it must, Missouri will be ready.

In addition, the Council applauds the recent Executive Order 09-12 establishing the Transform Missouri Initiative ("TMI") to monitor, process, and account for these ARRA dollars.

2. A Cooperative Effort Is Needed

This is not about politics or political parties. The Council itself is an all volunteer committee, and features individuals from across the full range of the political spectrum. Missouri taxpayers will fund part of the indebtedness taken on by the Federal Government for the ARRA, so Missouri must get its fair share of these dollars, or else Missourians will be subsidizing other States.

Once the Federal dollars, both Formulaic and Competitive, reach the State, it is noted that the ARRA specifies the exact use of these dollars in most cases. However, where local discretion is involved, a discussion must occur between the Executive Branch and the Legislative Branch, as well as political subdivisions and Missouri citizens, as all parties play a role in the implementation of the ARRA under Missouri law.

The ARRA explicitly delegates to the Governor the leadership role and statutory duties, and still more duties and tasks to the Executive Branch for implementation. The public wants, and the economy needs, a unified effort, so Missouri grows and moves forward to meet the demands of the 21st century global economy.

3. Missouri Should Have One Application For Competitive Dollars

Numerous line items appropriations and programs are competitive under the ARRA among the states, and even separately among subdivisions of the States. It is inevitable some states will strike out for more than their "fair share", or that cities or agencies in Missouri will compete against Missouri itself or other Missouri political subdivisions. Therefore, Missouri should have one submission for each Competitive Grant to maximize its chances for an award by speaking with one voice.

Missouri should also "think big", to distinguish itself from what will be thousands of other applications. Missouri should focus on projects and initiatives that create long-term sustainable or new jobs.

In addition, given the complexity of this implementation, it is critical that Missouri establish a temporary Washington, D.C. presence focused on Missouri's interests and issues under the ARRA and work closely with the Missouri Congressional Delegation.

4. A Specific State Agency Must Be Assigned To Each Appropriation Resource

In the interviews with the State Agencies, it is noted that there were no "turf" battles. The theme was sharing and interaction, which theme must continue to be the practice. To that end, the Council recommends that each specific section of the ARRA be assigned a an Agency as the lead, responsible point of contact. An initial proposal on this assignment is listed in Exhibit 3. Each Agency shall then appoint a lead contact person, to coordinate citizen access, efficiency, accountability and transparency in concert with the TMI. Finally, some of these recommended assignments are for ARRA dollars to be expended by Federal agencies only, but perhaps those dollars could or should be tracked to Missouri.

Also, whenever possible, existing local or regional boards or service providers should be used to implement the ARRA, rather than create more bureaucracy and governmental infrastructures. This will obviously save costs and expedite the infusion of ARRA dollars into the economy.

5. A Statewide Focus Is Required

Both the ARRA itself, and the mandates of bipartisanship, dictate that both rural, suburban and urban areas receive attention. Several members of the Council articulated the acute needs of rural Missouri for broadband access, public safety needs, safety net funding, business development and healthcare. Noting the ARRA focuses some programs exclusively on rural America. There are other programs for suburban and urban America. Missouri must maximize these regional focuses to aggregate a state wide view. The Council firmly believes a comprehensive state wide approach is the way to maximize the receipt of ARRA dollars across all sectors and demographics.

6. Twinning Increases The Impact

The ARRA has many programs that are interactive, and can be coupled (i.e. "twinning"), with other ARRA dollars. This means that ARRA dollars from one program can be invested or expended with other dollars authorized by this Act. In addition, Federal dollars can be "twinning" with both other existing Federal tax credit and appropriation programs, existing similar state programs, and private sector dollars. The possibilities for twinning are ample and provide great opportunity to maximize benefits of ARRA dollars.

It is recommended that the TMI work with all state agencies, the Legislature, and all concerned governmental parties to identify and maximize twinning opportunities presented by the ARRA. It is further recommended that over the next two months, local governments, private interest, trade organizations, non-profits, the financial community and the public become engaged in identifying twinning opportunities by educational seminars around the State and internet updates on www.transform.mo.gov.

7. Recommendations By Individual Council Members Are Submitted

Some of the Council's members have written separate and noteworthy recommendations respecting specific sections of the ARRA. These comments are not part of this Report, but have been concurrently submitted for consideration of the TMI, and are part of the public record.

8. Sustainable Jobs And Programs Should Be Created

It is our recommendation that ARRA dollars are expended in a sustainable fashion. One focus, therefore, is the real need to retain workers in the hard hit sectors. A second focus is on creating infrastructure that will incent business to grow or other business to expand here. A third focus noted by the Council is to fund long term multi-year construction projects. A fourth focus is twinning investment and human capital for a long term sustainable result. It is critical that Missouri maximizes its "fair share" of ARRA funding, and craft applications that are sustainable.

9. An Opportunity Exists For Long Term Planning

There should be ARRA funds to be allocated arising from the sum of the State Fiscal Relief dollars from Title XIV of Division A (education) plus Title V of Division B (Medicaid) in excess of the Governor's proposed FY 2010 budget.

However, caution is urged here, as (i) these dollars are not yet precisely known or in hand, and (ii) there are not yet final notices and regulations issued by the Federal Government for the funds provided under these Titles. Further guidance or restrictions may still emerge, noting the ARRA was just enacted.

That said, if there are such ARRA to be appropriated funds available, these dollars should be used consistently with the ARRA's purposes, discussed in an open and bipartisan manner, and applied prudently and creatively and for the long-term.

For instance, on a non-mutually exclusive basis, these dollars could be (i) utilized in the budget to enhance work force, or fund job creation incentives, or applied for education or Medicaid; (ii) used as a credit enhancement vehicle for the Build America Bonds (an uncapped new provision in Title I of Division B which carries a new large one time additional federal subsidy to lower the interest costs for 30 years on any permissible financing of the State or any political subdivision); or (iii) applied to specific projects or other uses consistent with the Act and the betterment of Missouri.

10. Accountability and Transparency Are Required

The Governor has assured the Council that Missouri will set a high benchmark and standards that meet or exceed the transparency and accountability specifically delineated in the ARRA. It is further noted that the Governor accepts his certification responsibilities as denoted in the ARRA. It is also recommended that the TMI be permitted to engage Missouri firms for a limited time to secure any requisite professional back-up.

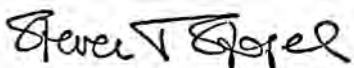
Conclusion

This report by the Council was a bipartisan, focused, short term effort to provide public and private side input on the themes, possibilities and responsibilities of the ARRA and Missouri's responsibility under the legislation.

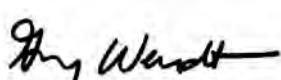
The Co-Chairs would like to thank each member of the Council and the dozens of State Agency personnel for their time and input.

The Council would especially like to thank you, Governor Nixon, for the opportunity to present these Recommendations on the ARRA so Missouri can maximize its benefits, put Missourians back to work and grow the Missouri economy.

Respectfully submitted,



Steven J. Stogel
Co-Chair



Greg Wendt
Co-Chair

EXHIBIT 1

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There is a need to have both the Governor and Legislature to take actions to advance the velocity of ARRA funding.

The Federal government has set a good example. It has:

1.
 - a. Accelerated the review timelines under the National Environmental Policy Act (Division A, Section 1609).
 - b. Expanded the emergency rule making authority granted to the SBA (i.e. Title V, Division A, Section 506(k)).
2. Three examples in Missouri would be:
 - a. The Missouri Department of Natural Resources could need a limited waiver of the rule making processes under Section 536.025.7, as follows:

A rule adopted under the provisions of this section shall clearly state the interval during which it will be in effect. Emergency rules shall not be in effect for a period exceeding one hundred eighty calendar days or thirty legislative days, whichever period is longer; however, provisions of law to the contrary notwithstanding, emergency rules adopted to distribute funds allocated by or to carry out the provisions of the American Recovery and Reinvestment Act of 2009 as enacted by the 111th United States Congress may, at the discretion of the state agency, be in effect for a period not to exceed September 30, 2011. For the purposes of this action, a “legislative day” is each Monday, Tuesday, Wednesday and Thursday beginning the first Wednesday after the first Monday in January and ending the first Friday after the second Monday in May, regardless of whether the legislature meets.
 - b. The Missouri Department of Elementary and Secondary Education noted that it will receive FY 2009 funds under Title XIV of Division A. This agency requests the authority to just add work scope to current third party provider contracts. However, this would require the general rules of procurement by the Office of Administration to be suspended. The Governor could do this by Executive Order pursuant to Chapter 44.
 - c. The Missouri Department of Natural Resources, the Missouri Department of Economic Development and local governments could receive nearly \$291 million in funds for energy efficiency, weatherization and green energy training programs. However, in order to receive some of these funds, it is arguable that ARRA requires the Governor to assure that gas and electric utility financial incentives are aligned with helping customers use energy more efficiently and provide timely cost recovery, earnings and lost margin associated with cost-effective, measurable and verifiable energy efficiency programs offered by investor owned utilities. This may require legislative changes enabling regulatory rulemaking at the Public Service Commission.

EXHIBIT 2

Exhibit 2

State Departments & State Officials

Department of Health and Senior Services

- ❖ Margaret Donnelly, Director
- ❖ Nancie Mcanaugh, Deputy Director

Department of Economic Development

- ❖ Linda Martinez, Director
- ❖ Ann Perry, Finance Manager

Missouri Housing Development Commission

- ❖ Pete Ramsel, Executive Director
- ❖ Bram Higgins, General Counsel

Department of Labor and Industrial Relations

- ❖ Peter Lyskowski, Deputy Director

Department of Higher Education

- ❖ Robert B. Stein, Commissioner
- ❖ Paul Wagner, Deputy Commissioner

Department of Elementary and Secondary Education

- ❖ Becky Odneal, Chief Accountability Officer

Department of Social Services

- ❖ Jennifer Tidball, Division of Budget & Finance Director
- ❖ James Uffmann, Associate Director

Department of Agriculture

- ❖ Robin Perso, Director of Administration Budget
- ❖ Tony Stafford, Executive Director of Missouri Agriculture and Small Business Development

Department of Natural Resources

- ❖ Davis Minton, Special Assistant to Director / Agriculture
- ❖ Scott Totten, Director, Water Protection & Soil Conservation Division

Department of Public Safety

- ❖ Eric Sheperd, Program Manager
- ❖ Andrea Spillars, Deputy Director & General Counsel
- ❖ James Klahr, Legislative Liaison

Department of Corrections

- ❖ David Rost, Deputy Director

EXHIBIT 3

*Programs that are or may be applicable to/for Missouri ¹

AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009
DIVISION A – APPROPRIATION PROVISIONS

DOA – Department of Agriculture

DED – Department of Economic Development

DHSS – Department of Health and Senior Services

DIFP – Department of Insurance Financial Institutions and Professional Regulation

DNR – Department of Natural Resources

DESE – Department of Elementary and Secondary Education ²

DOT – Department of Transportation

DPS – Department of Public Safety

DSS – Department of Social Services

MHDC – Missouri Housing Development Commission

TMI – Transform Missouri Initiative

**TITLE I – AGRICULTURE, RURAL DEVELOPMENT, FOOD AND DRUG
ADMINISTRATION, AND RELATED AGENCIES**

	\$	Recommended Agency
Agriculture Building Repairs/Rental	200M	-----
Inspector General	22M	-----
Farm Service Agency Salaries	50M	-----
* Watershed & Flood Prevention	290M	DNR
* Additional Watershed Rehab Projects	50M	DNR
* Rural Housing Services	11.672B	MHDC
* Rural Community Facility Program	130M	DOA
* Rural Business Program Account	150M	DOA
* Rural Water and Waste Disposal Program Account	1.380B	DNR
* Distance Learning, Telemedicine, and Broadband Program	2.5B	DED
* Special Supplemental Nutrition Program For Women, Infants and Children (WIC)	600M	DHSS
* Commodity Assistance Program	150M	DOA
General Provisions	300M	-----

TITLE II – COMMERCE, JUSTICE, SCIENCE AND RELATED AGENCIES

Department of Commerce

* Economic Development Assistance Programs	150M	DED
* National Telecommunications and Information Administration Per Broadband Technology Opportunities Program, noting some specific set asides and for competitive submissions.	4.7B	DED
* “Digital-To-Analog Converter Box Program”	650M	DED
National Institute of Standards and Technology	200M	-----

¹ This is not an exhaustive list, as several, distinct programs are sometimes combined into one category.

² Includes as designated by the TMI, the Department of Higher Education, and University of Missouri System.

	\$	
* Construction of Research Facilities	360M	DED
National Oceanic and Atmospheric Administration	230M	-----
Procurement Acquisition, Construction for the Department	600M	-----

Department of Justice

* Office of Violence Against Women Prevention and Prosecution	225M	DPS
* Office of Justice Program	3.775B	DPS
NASA	1B	-----
* National Science Foundation	2.5B	DESE
* "Major Research" Grants	400M	DESE

TITLE III – DEPARTMENT OF DEFENSE

Capital Works, Maintenance, Operations	4.3B	-----
Research	300M	-----
Other	415M	-----

TITLE IV – ENERGY AND WATER DEVELOPMENT

Corp of Engineers

* General Projects	2B	DNR
* Mississippi River and Tributaries	375M	DNR
General Operation & Maintenance	2.075B	-----
* Formerly Utilized Site Clean Ups	100M	DNR

Department of Interior

* Water & Related Projects	1B	DNR
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Department of Energy

* Energy Efficiency and Conservation Block Grants and other specific set asides	16.8B	DNR
* Electricity Delivery & Energy Reliability	4.5B	DED
* Uranium Decontamination	390M	DNR
"Science" and Research	2B	DESE
* Innovative Technology Loan Guarantee Program	6B	DNR

Department of EPA

* Defense Environmental Cleanups	5.127B	DNR
Bonneville Power Administration	3.250B	-----
* Other Electricity Provisions/Weatherization	-----	DED

TITLE V – FINANCIAL SERVICES AND GENERAL GOVERNMENT

Treasury

		\$	
	* CDFI Funds	100M	DED
	Staff for TAA Health	80M	-----
<u>GSA</u>			
	Buildings	5.5B	-----
	Purchase New Fuel Efficient Cars	600M	-----
<u>SBA</u>			
	Various Line Items/Expanded Capacity	100M	-----

TITLE VI – DEPARTMENT OF HOMELAND SECURITY

Border Control, Technology, etc.	660M	-----
* Aviation Security	1B	DED
Coast Guard	98M	-----
* Bridges (alteration/removal)	142M	DOT
* FEMA	300M	DPS
* Fire Fighter Assistance Grants	210M	DPS
* Disaster Loan Program Account	N/A	DED
Emergency Food & Shelter	100M	-----

TITLE VII – INTERIOR, ENVIRONMENT, AND RELATED AGENCIES

Department of the Interior

Bureau of Land Management	730M	-----
National Park Service (“NPS”)	146M	-----
* Historic Preservation Fund	15M	DESE
NPS Existing Building & Parks Construction	589M	-----
US Geological Survey	140M	-----
Bureau of Indian Affairs	500M	-----

EPA

* - Superfund	600M	DNR
* - Underground Storage Tanks (in lieu of Brownfields)	200M	DNR
* - State Grants (various)	6.4B	DNR

Department of Agriculture

* - Capital Improvements	650M	DNR
* - Wildfire Management	500M	DNR

Department of Health and Human Services

- Indian Health Services	500M	-----
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Other Agencies

- Smithsonian – Capital	25M	-----
* - National Endowment for the Arts	50M	DED

TITLE VIII – DEPARTMENTS OF LABOR, HEALTH AND HUMAN SERVICES, AND EDUCATION, AND RELATED AGENCIES

<u>Department of Labor</u>	\$	
* Employment & Training (includes \$1.2B for grants to states for youth hiring and \$1.50B of grants to states for dislocated worker/other employment training)	3.950B	DED
* Community Service For Older Americans	120M	DED
* State Unemployment Insurance and Service Operations	400M	DED
* Job Corp	250M	DED

Department of DHHS

* - Various Grants for Community Centers and Work Force Shortages	2.5B	DHSS
* - National Institute of Health	1.3B	DHSS
- Buildings	500M	-----
* - Agency for Healthcare	700M	DHSS
* - Administration for Children and Families payments to States for Child Care and Development Block Grants	2B	DSS
* - Children & Family Services	3.150B	DSS
* - Office on Aging	100M	DHSS
* - Information Health Technology [see also, Title IV of Division B for \$17.2 more]	2B	DHSS
* - Wellness Fund	1B	DHSS

Department of Education

* - Education for Disadvantaged Kids	13B	DESE
* - Impact Aid	100M	DESE
* - School Improvement Programs	720M	DESE
* - Innovation Grants	200M	DESE
* - Special Education	12.2B	DESE
* - Rehabilitation/Research	680M	DESE
* - Student Financial Aid (Higher Education)	15.640B	DESE
* - More Higher Education Funding	100M	DESE
* - Institute of Education Sciences	250M	DESE

Other Agencies

* National/Community Service	160M	DED
* National Service Trust	40M	DED
Social Security Administration	1B	-----
General Statutory Changes	N/A	-----

TITLE IX – LEGISLATIVE BRANCH

Funding	25M	-----
GAO Reporting Obligation	N/A	-----

TITLE X – MILITARY CONSTRUCTION AND VETERANS AFFAIRS AND RELATED AGENCIES

	\$	
Various Construction & Housing Assistances	3B	-----
Veterans Administration	1.4B	-----

TITLE XI – STATE, FOREIGN OPERATIONS, AND RELATED PROGRAMS

Various Programs	602M	-----
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TITLE XII – TRANSPORTATION, HOUSING AND URBAN DEVELOPMENT, AND RELATED AGENCIESTransportation

*	- Surface Transportation Infrastructure	1.5B	DOT
*	- FAA	200M	DOT
*	- Airport Grants	1.1B	DOT
*	- Federal Highway Administration	27.5B	DOT
*	- Transit Administration	6.9B	DOT
*	- Maritime Administration	100M	DOT
*	- General Statutory Provisions	N/A	-----

HUD

*	- Indian Housing & Block Grants	4.510B	-----
*	- CDBG	1B	DED
*	- Abandoned/Foreclosed Homes	2B	DED
*	- Home Money	2.25B	MHDC
*	- McKinney	1.5B	DED
*	- Energy Retrofits of Older HUD financed projects	2.250M	DED
*	- Lead Control/Abatement	100M	DED
*	- General Provisions	N/A	-----

TITLE XIII – HEALTH INFORMATION TECHNOLOGY

*	Internet and Medical Records	17.2B	DHSS
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TITLE XIV – STATE FISCAL STABILIZATION FUND

*	Department of Education Grant Money to States	53.6B	DESE
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TITLE XV – ACCOUNTABILITY AND TRANSPARENCY

----- TMI

**DIVISION B – TAX, UNEMPLOYMENT, HEALTH,
STATE FISCAL RELIEF AND OTHER PROVISIONS**

TITLE I – TAX PROVISIONS ³	DED
TITLE II – ASSISTANCE FOR FAMILIES AND UNEMPLOYED WORKERS	DSS
TITLE III – HEALTH INSURANCE ASSISTANCE	DIFP
TITLE IV – HEALTH INFORMATION TECHNOLOGY AND MEDICAID	DHSS
TITLE V – STATE FISCAL RELIEF AND MEDICAID	DSS
TITLE VI – BROADBAND	DED
TITLE VII – TARP RELATED PROVISIONS	-----

³ For sections 1401 (Recovery Zone Bonds), 1521 (Qualified School Construction Bonds), 1531 (Build America Bonds).